



Final Sequestration Report for Fiscal Year 2015

The Congressional Budget Office (CBO) is required by law to issue a report within 10 days of the end of a session of Congress that provides estimates of the limits (often called “caps”) on discretionary budget authority in effect for each fiscal year through 2021.¹ CBO is also required to report whether, according to its estimates, enacted legislation for the current fiscal year has exceeded those caps; if the caps were exceeded, a sequestration (that is, a cancellation of budgetary resources) would be required.

In CBO’s estimation, such a sequestration will not be required for 2015. However, the authority to determine whether a sequestration is required and, if so, exactly how to make the necessary cuts in budget authority rests with the Administration’s Office of Management and Budget (OMB). Those determinations are based on OMB’s own estimates of federal spending.

Limits on Discretionary Budget Authority for 2015

The Bipartisan Budget Act of 2013 (Public Law 113-67) modified the caps on defense and nondefense funding for fiscal year 2015 that were established by the Budget Control Act of 2011. Public Law 113-67 reset those limits to total \$1,013.6 billion—\$521.3 billion for defense programs and \$492.4 billion for nondefense programs.

By law, however, the caps are adjusted upward when appropriations are provided for certain purposes.

Specifically, budget authority designated as an emergency requirement or provided for overseas contingency operations, such as military activities in Afghanistan, leads to an increase in the caps, as does budget authority provided for some types of disaster relief (as this report explains below) or for certain “program integrity” initiatives.²

To date, such adjustments to the caps on discretionary budget authority for 2015 have totaled \$86.3 billion (see Table 1). Most of that amount, \$64.4 billion, is an increase in the defense cap to account for budget authority provided for overseas contingency operations. An additional \$0.1 billion of defense funding—for responding to the outbreak of the Ebola virus, as well as for enhanced preparedness activities in response to that outbreak—was designated as an emergency requirement. Adjustments to the nondefense cap include \$9.3 billion for overseas contingency operations, \$5.7 billion for disaster relief, \$5.3 billion in additional emergency funding for Ebola preparedness, and \$1.5 billion for program integrity initiatives related to Medicare and to the Disability Insurance and Supplemental Security Income programs.

After those adjustments are made, the caps on budget authority for 2015 total an estimated \$585.8 billion for defense programs and \$514.1 billion for nondefense programs—about \$1.1 trillion in all. As estimated by CBO when appropriations were enacted, defense funding for 2015 is equal to its cap and nondefense funding is slightly below its cap; therefore, by CBO’s estimates, no

1. Budget authority is the authority provided by law to incur financial obligations that will result in immediate or future outlays of federal funds. Discretionary budget authority is provided and controlled by appropriation acts. All of the years referred to in this report are federal fiscal years, which run from October 1 to September 30.

2. Program integrity initiatives identify and reduce overpayments in benefit programs, such as the Disability Insurance and Supplemental Security Income programs, Medicare, Medicaid, and the Children’s Health Insurance Program.

Table 1.
Limits on Discretionary Budget Authority for Fiscal Year 2015

| | | | |
|---|----------------------|-------------------------|-----------|
| Millions of Dollars | Defense ^a | Nondefense ^a | Total |
| Caps Established in the Budget Control Act ^b | 521,272 | 492,356 | 1,013,628 |
| Adjustments | | | |
| Overseas contingency operations ^c | 64,448 | 9,258 | 73,706 |
| Disaster relief ^d | 0 | 5,717 | 5,717 |
| Emergency requirements ^e | 112 | 5,293 | 5,405 |
| Program integrity initiatives ^f | 0 | 1,484 | 1,484 |
| Subtotal | 64,560 | 21,752 | 86,312 |
| Adjusted Caps for 2015 | 585,832 | 514,108 | 1,099,940 |
| Appropriations for 2015 (As of January 9, 2015) | 585,832 | 513,828 | 1,099,660 |

Source: Congressional Budget Office.

a. The defense category comprises appropriations designated for budget function 050; the nondefense category comprises all other discretionary appropriations.

b. The Budget Control Act of 2011 amended the Balanced Budget and Emergency Deficit Control Act of 1985 to reinstate caps on discretionary budget authority. The Bipartisan Budget Act of 2013 canceled automatic spending reductions set to take effect in 2014 and 2015 and set revised caps on defense and nondefense funding for those years at amounts that were each \$22 billion above what the caps would have been in 2014 and \$9 billion above what they would have been in 2015 if the automatic spending reductions had occurred.

c. This category consists of funding for war-related activities in Afghanistan or for similar activities.

d. For the purposes of adjustments to the caps, disaster relief refers to activities carried out pursuant to section 102(2) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act; such activities may result from a natural disaster that causes damage of sufficient severity to warrant federal assistance.

e. This funding was provided by H.R. 83, the Consolidated and Further Continuing Appropriations Act, 2015, for responding to the outbreak of the Ebola virus, as well as for enhanced preparedness activities in response to that outbreak.

f. Program integrity initiatives identify and reduce overpayments in benefit programs, such as the Disability Insurance and Supplemental Security Income programs, Medicare, Medicaid, and the Children’s Health Insurance Program. In 2015 thus far, funding for program integrity initiatives has been provided for Medicare and for the Disability Insurance and Supplemental Security Income programs.

sequestration will be required as a result of those appropriations.³

The caps could be breached, however, if lawmakers were to provide additional appropriations before the end of September—unless those appropriations fell into one of the categories that cause an adjustment to the caps or were offset by reductions in funding for other programs. If the caps were breached late in the fiscal year, the caps for 2016 would be reduced to compensate for the excess funding in 2015.

Limits on Discretionary Budget Authority for 2016 Through 2021
The Budget Control Act also established limits on discretionary budget authority for fiscal years 2016 through 2021, as well as automatic procedures that will reduce the funding allowed for both discretionary and mandatory spending through 2021.⁴ CBO has estimated how the automatic procedures will affect the caps on discretionary

3. To date, lawmakers have enacted full-year appropriations for 2015 for all agencies except the Department of Homeland Security, which is operating under a continuing resolution through February 27.

4. Mandatory spending refers to outlays from budget authority that is generally controlled by laws other than appropriation acts. Sequestration of such spending was subsequently extended through 2024.

Table 2.**Limits on Discretionary Budget Authority for Fiscal Years 2016 Through 2021**

Millions of Dollars

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| Caps Originally Set in the Budget Control Act | | | | | | |
| Defense | 577,000 | 590,000 | 603,000 | 616,000 | 630,000 | 644,000 |
| Nondefense | 530,000 | 541,000 | 553,000 | 566,000 | 578,000 | 590,000 |
| Total | 1,107,000 | 1,131,000 | 1,156,000 | 1,182,000 | 1,208,000 | 1,234,000 |
| Estimated Effect of Automatic Spending Reductions ^a | | | | | | |
| Defense | -53,933 | -53,933 | -53,929 | -53,921 | -53,913 | -53,904 |
| Nondefense | -37,013 | -37,264 | -37,335 | -36,299 | -35,072 | -34,791 |
| Total | -90,946 | -91,197 | -91,264 | -90,220 | -88,985 | -88,695 |
| Estimate of Revised Caps | | | | | | |
| Defense | 523,067 | 536,067 | 549,071 | 562,079 | 576,087 | 590,096 |
| Nondefense | 492,987 | 503,736 | 515,665 | 529,701 | 542,928 | 555,209 |
| Total | 1,016,054 | 1,039,803 | 1,064,736 | 1,091,780 | 1,119,015 | 1,145,305 |

Source: Congressional Budget Office.

- a. The automatic spending reductions specified in the Budget Control Act are set to reduce the caps on discretionary budget authority for 2016 through 2021. In addition, a sequestration of mandatory spending is scheduled for each year through 2024. These estimates reflect CBO's calculations; however, the Office of Management and Budget is responsible for the official determination of such reductions.

budget authority for each year through 2021 (see Table 2).⁵ CBO's calculations, however, can only approximate the eventual outcomes because OMB is ultimately responsible for implementing the automatic reductions on the basis of its own estimates.

The caps on discretionary budget authority originally established by the Budget Control Act were set to rise gradually from a total of \$1,107 billion in 2016 to \$1,234 billion in 2021. However, the automatic procedures will reduce those caps. For 2016, the reduction will total \$91 billion (or 8.2 percent), CBO estimates; for 2021, the reduction will be slightly smaller—\$89 billion (or 7.2 percent).

Under current law, the reductions in the caps for defense programs will be proportionately larger than the reductions in the caps for nondefense programs. The

defense cap will shrink by \$54 billion each year, which amounts to a cut of 9.3 percent in 2016 and slightly smaller percentages in subsequent years. The nondefense cap will shrink by \$37 billion in 2016, which represents a cut of 7.0 percent, and by similar amounts (and smaller percentages) in later years. How those reductions are apportioned among the various budget accounts within the two categories will be determined by future appropriation acts.

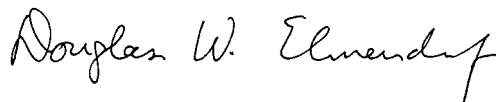
After those reductions are accounted for, the overall limit on discretionary budget authority will steadily increase from \$1,016 billion in 2016 to \$1,145 billion in 2021—an average annual increase of 2.4 percent. The defense and nondefense caps that add up to that limit will follow a similar pattern over that period: The former will grow from \$523 billion to \$590 billion, CBO estimates, while the latter will increase from \$493 billion to \$555 billion. (Those figures do not include any adjustments that might be made to accommodate future appropriations for emergencies, overseas contingency operations, disaster relief, or program integrity initiatives.)

5. For a detailed analysis of the methods that CBO uses to calculate automatic reductions, see Congressional Budget Office, *Estimated Impact of Automatic Budget Enforcement Procedures Specified in the Budget Control Act* (September 2011), www.cbo.gov/publication/42754.

Disaster Relief

The total increase in the caps to accommodate funding for disaster relief in a given year cannot exceed a particular amount: the average funding provided for disaster relief over the previous 10 years (excluding the highest and lowest annual amounts) plus any amount by which the previous year's appropriation was lower than the maximum allowable cap adjustment for that year. By CBO's estimate, the maximum increase in the caps to accommodate funding for disaster relief comes to \$18.4 billion in 2015. Such appropriations for this year so far total \$5.7 billion—\$12.7 billion less than the maximum amount.

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